

**AMALGAMATED INDUSTRIAL STEEL BERHAD**  
*(Company No. 9118-M)*

<b>QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2018</b>
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**NOTES TO THE INTERIM FINANCIAL REPORT**

**A1 Accounting Policies and Methods of Computation**

The interim financial statements of the Group are unaudited and have been prepared under the historical cost convention and modified to include other bases of valuation, and in compliance with the requirements of Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards (“IFRS”), the requirements of the Companies Act 2016 in Malaysia and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“BMSB”).

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2017. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2017.

The accounting policies and methods of computation used in preparing the interim financial statements are consistent with those adopted for the audited financial statements for the year ended 31 December 2017.

The Group and Company have not applied the following MFRSs, Amendments to MFRSs, Issue Committee Interpretations (“IC Interpretations”) and Amendments to IC Interpretation that have been issued by the Malaysian Accounting Standards Board (“MASB”) but are not yet effective.

*AISB-QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR  
THE FIRST QUARTER ENDED 30 JUNE 2018  
- NOTES TO THE INTERIM FINANCIAL REPORT (Cont'd)*

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<u>New/Revised MFRSs, Amendments to MFRSs, IC Interpretations and Amendments to IC Interpretation</u>		<u>Effective for financial periods beginning on or after</u>
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
IC Interpretation 23	Uncertainty Over Income Tax Treatment	1 January 2019
Amendments to MFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 10 & MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual improvements to MFRS Standards 2015 – 2017 Cycles		1 January 2019

The adoption of the above accounting standards and interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group's upon their application except as follows: -

- (a) MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces the existing guidance in MFRS 139 and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward-looking 'expected loss' impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under this MFRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held. Based on the assessment completed to date, the Group is in the process of making an assessment of the financial impact arising from the adoption of MFRS 9 and the extent of the impact has not been determined.
- (b) MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and will replace the current

guidance on lease accounting when it becomes effective. Under MFRS 16, the classification of leases as either finance leases or operating leases is eliminated for lessees. All lessees are required to recognize their leased assets and the related lease obligations in the statement of financial position (with limited exceptions). The leased assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method. The Group anticipates that the application of MFRS 16 in the future may have an impact on the amounts reported and disclosures made in the financial statements. However, it is not practicable to provide a reasonable estimate of the financial impacts of MFRS 16 until the Group performs a detailed review.

**A2 Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the financial statements for the year ended 31 December 2017 was not qualified.

**A3 Comments about Seasonal or Cyclical Factors**

The business operations of the Group are not affected by seasonal or cyclical factor.

**A4 Unusual Items Due to their Nature, Size or Incidence**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the quarter.

**A5 Material Changes in Estimates**

There have been no significant changes in estimates used for the preparation of the interim financial statements.

**A6 Debt and Equity Securities**

There was no other issuance, cancellation, repurchase, resale and repayment of equity securities for the current financial year-to-date.

**A7 Dividend Paid**

There was no payment of dividend during the quarter.

**A8 Operating Segment Information**

No segmental information is provided as all sales are local.

**A9 Subsequent Events**

There were no material events subsequent to the end of the current period, up to the date of this announcement, that have not been reflected in the financial statements for the period ended 30 June 2018.

**A10 Changes in Composition of the Group**

There were no changes in the composition of the Group during the quarter.

**A11 Contingent Liabilities or Assets**

There were no contingent liability and contingent asset for the Group as at end of the current quarter.

**A12 Capital Commitments**

There was no capital commitment entered during or outstanding at the end of the current quarter.

**AMALGAMATED INDUSTRIAL STEEL BERHAD**  
*(Company No. 9118-M)*

***QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE  
SECOND FINANCIAL QUARTER ENDED 30 JUNE 2018***

**EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING  
REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**B1 Review of Performance of the Group and Company**

The Group's revenue for the second quarter ended 30 June 2018 ("Q2") was RM0.29 million, 96.27% or RM7.61 million lower compared to the revenue of RM7.91 million recorded in the previous corresponding quarter ("PCQ2"). The main reason for the dropped in revenue was due to the Group's discontinuation of its manufacturing business, weakness in trading activities and project for property development is still at the planning stage.

The pre-tax loss for Q2 was RM0.24 million compared to a pre-tax loss of RM1.33 million in PCQ2. The cessation of the manufacturing operation had trimmed much of the operating expenses resulting in a lower loss.

For the year to-date, the revenue was RM2.61 million compared to a revenue of RM18.20 million for the corresponding period in the preceding year. Other income for the six months are from rental (RM0.97 million) and interest earned from short-term deposits (RM0.87 million). Pre-tax loss for the year to-date was RM0.80 million compared to RM3.90 million for the corresponding period in the preceding year.

**B2 Material Changes in the Group Quarterly Results Compared to the Results of the Preceding Quarter**

The Group's revenue of RM0.29 million for Q2 was 87.26% lower than the revenue of RM2.32 million recorded in the preceding quarter ("PQ1"). The Group recorded a pre-tax loss of RM0.24 million in Q2 compared to a pre-tax

loss of RM0.56 million in PQ1.

**B3 Current Year Prospect**

Revenue and profit is expected to improve once its property development project commences in the third quarter of 2018. Currently, the bulk of the income are from rental and interest earned from short-term deposit placed with financial institutions.

**B4 Profit Forecast or Profit Guarantee**

This is not applicable to the Group.

**B5 Taxation**

	<b>Current Quarter 01.04.2018 to 30.06.2018 RM</b>	<b>Preceding Year Corresponding Quarter 30.06.2017 RM</b>	<b>Current Year To-date Ended 30.06.2018 RM</b>	<b>Corresponding Period Ended 30.06.2017 RM</b>
In respect of: -				
current period				
- income tax	0	240	0	240
- deferred tax	0	0	0	0
prior period				
- income tax	0	0	0	0
- deferred tax	0	0	0	0
- deferred tax on fair value gain of investment property	0	0	0	0
	<hr/>	<hr/>	<hr/>	<hr/>
Tax (expense)/ income	0	240	0	240

Operating losses of its subsidiaries for the financial period ended 31 December 2017 is available for utilization against future taxable profit.

**B6 Status of Corporate Proposals**

No corporate exercise was undertaken or outstanding in the current quarter.

**B7 Group Borrowings and Debt Securities**

The Group has no borrowing or gearing.

**B8 Pending Material Litigation**

On 20 October 2016, its subsidiary, AIS Manufacturing Sdn Bhd, commenced legal action against one of its debtors, Avenue TH Trading Sdn Bhd, for an amount of RM386,036.68 for goods sold and delivered in the months of May 2016 to July'16. We have procured Judgement in Default of Appearance against the company and both guarantors on 10 January 2017. The lawyers have advised that they have attempted to serve the writ twice, once via AR registered post and the other by hand, without success. They will apply for substituted service. The matters have now been fixed for a further case management on 28 May 2018.

As advised by the lawyer in August 2018, they have obtained judgement in default against the guarantors and shall proceed with bankruptcy proceedings.

**B9 Dividend Payable**

No interim dividend has been declared for the financial period-to-date ended 30 June 2018.

B10 **(Loss)/Earnings per Share**

	<b>Current Year Second Quarter Ended 30.06.2018 RM</b>	<b>Preceding Year Corresponding Quarter Ended 30.06.2017 RM</b>	<b>Current Year To-date Ended 30.06.2018 RM</b>	<b>Preceding Year Corresponding Period Ended 30.06.2017 RM</b>
a) <b><u>Basic (loss)/earnings per share</u></b>				
(Loss)/ profit for the financial period attributable to owners of the Parent (RM)	(238,189)	(1,335,145)	(802,875)	(3,897,257)
Weighted average number of ordinary shares in issue	137,585,442	137,585,442	137,585,442	137,585,442
Basic (loss) / earning per share (Sen)	(0.17)	(0.97)	(0.58)	(2.83)
b) <b><u>Diluted earnings/ (loss) per share</u></b>				

This is not  
applicable to the  
Group.